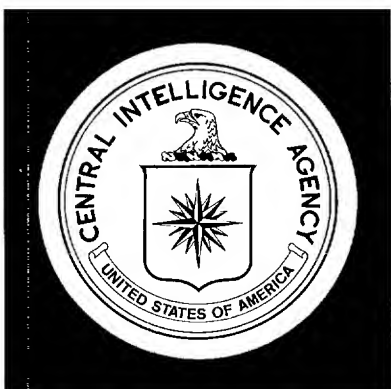


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USSR: Soviet spending for defense, including military research and development, is expected to increase moderately next year.

The announced 1973 defense budget of 17.9 billion rubles--unchanged for the fourth year in a row--does not include a number of allocations normally associated with defense. The most significant exclusion is military research and development, which is funded principally from the science allocation. Science outlays have increased steadily for the past several years, and the 1973 allocation is seven percent greater than last year's spending.

Based on observed Soviet force structure and programs, intelligence analysis projects a slight rise for 1973 in Soviet spending on deployed forces. Military research and development expenditures are expected to rise more rapidly. Total outlays for deployed forces and for research and development next year are expected to reach the equivalent of nearly \$70 billion valued at 1970 US costs. [REDACTED]

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USSR: In the domestic portion of his speech saluting the USSR's 50th anniversary, General Secretary Brezhnev devoted primary attention to relations among the various Soviet nationalities. He also revived the promise of a new state constitution.

Rendering the obligatory praise for the mutual benefits that all Soviet nationalities have derived from their union, Brezhnev nevertheless chose the occasion to warn bluntly of the dangers of persisting nationalistic tendencies that "interweave" with special local or regional interests. His Soviet audience would have no difficulty in recognizing this reference to recent developments in both the Ukrainian and Georgian republics. Brezhnev also referred frankly to "objective problems" that arise in attempts to achieve a balance between the interests of individual nationalities and the interests of the Soviet Union as a whole. In the context of long-term (1976-1990) planning, he flatly stated that the task of enabling underdeveloped or "backward" republics to catch up economically has been completed "in the main," and that "now" Soviet planners can approach economic problems primarily from the view of the needs of the economy as a whole.

Brezhnev also unveiled another "new" stage in Soviet development, declaring that the time is now ripe for a new constitution that would reflect the changes that have taken place in Soviet society since the present constitution was adopted in 1936. He said that the draft of the new version will be submitted for nationwide discussion before the next party congress, due to be held in 1976. A new Soviet constitution was one of Khrushchev's pet projects that seemed to have fallen by the wayside since 1966 when Brezhnev last referred to it.

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Brezhnev's remarks on the Soviet economy indicated once again that the goals set for the five-year plan would be difficult to achieve unless the entire population makes a major effort. He offered no new approach that might accomplish this mobilization, however.

Although Brezhnev looked haggard and tired by the final day of the celebration, he delivered his three-and-one-half hour speech with vigor and appeared to have recovered from the illness that sidelined him during part of October and November.

[REDACTED]

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INTERNATIONAL COPPER: The four major copper exporting countries will attempt to develop joint action to force a substantial rise in world copper prices.

25X1 [redacted] representa-
tives of the Intergovernmental Council of Copper
Exporting Countries (Chile, Peru, Zaire, and Zambia)
will meet in London in early January [redacted]

25X1 [redacted]
25X1 [redacted] The CIPEC countries account for more than
60 percent of the world's primary copper exports.

Agreement on joint action at this time is un-
likely, although publicly there will probably be
some expression of unanimity. CIPEC has held public
meetings since the world copper price dropped in
1970, but it has been unable to agree to withhold
copper from the market. Because the copper market
is weak, such a program would require costly stock-
piling or cutbacks in production, alternatives
which conflict with member countries' national ob-
jectives. CIPEC's most recent display of verbal
solidarity occurred at a meeting in Santiago where
they condemned legal actions taken by the Kennecott
Copper Corporation against Chilean copper shipments.
This pronouncement, however, did not prevent Peru
and the African members from continuing to take
advantage of Chile's discomfiture by arranging
long-term sales contracts with Chile's European
customers. [redacted]

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JAPAN: Japan is emerging as an important source of international capital, partly as a result of the government's policy of encouraging foreign borrowing in Japan. The net long-term capital outflow this year will exceed \$4 billion, compared with only \$1.2 billion last year. In recent agreements, one Japanese banking syndicate will provide Brazil with \$200 million and another will market \$60 million worth of debentures in Japan for the Ford Motor Company. The easing of restrictions on capital outflows is part of the government's effort to cope with Tokyo's very large trade surplus and growing supply of dollars.

[REDACTED]

* * * *

SWEDEN: In response to growing dissatisfaction over rapidly rising food prices, the government will institute a price freeze on selected food products on 1 January. With the government set to stimulate the slowly growing but highly inflationary economy, this action may be preliminary to a general price freeze. In 1970 a similar price freeze on food was followed by a general price freeze. If the ruling Social Democrats are to quell increasing public discontent over the economic situation, prices must be contained while the economy expands. Prime Minister Palme's handling of the economy has come under increasing criticism and could hurt the party in the elections next September.

[REDACTED]

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